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MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

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MEMORANDUM

December 12, 2007

TO: Owners & Management Agents of Tax Credit Properties
Management Agents of Section 8 and Section 236 Project-Based Properties
Management Agents of Multifamily Assisted Properties

FROM: Sherri Davio, Compliance Manager
Office of Legal Affairs

SUBJECT: 2008 Process Improvements - Physical Inspections

The Michigan State Housing Development Authority is pleased to announce several changes in Compliance Monitoring policies and procedures for 2008 that will simplify the physical inspection process. These changes are related to the Owner/Management Agent requirements to report the correction of physical inspection deficiencies and the potential waiver of a MSHDA inspection for developments with a recent REAC inspection.

Since January 2005, the physical inspection process has improved substantially and MSHDA has continuously gathered positive feedback from Owners and Management Agents and suggestions for additional improvements. The process improvements being announced today are the result of the efforts of MSHDA staff working in conjunction with management agent representatives from the Michigan Housing Council in a process improvement team named the "Reduction in Management Reporting Team". This team reviewed all MSHDA Compliance and Asset Management reporting processes and procedures and made recommendations for improvements. Team recommendations were then submitted for the approval of a multi-divisional MSHDA team with representatives from Compliance, Development/Technical Services and Asset Management.

This Memorandum briefly describes each of the physical inspection policy changes and/or process improvements that will be effective for inspections conducted on or after January 1, 2008, as well as changes that have been implemented from 2005-2007.

SUMMARY OF CHANGES

2007 Changes Implemented

MSHDA Physical Inspection reports were modified to include clear identification of all "Life-Threatening" items.

2008 Changes to be Implemented

Change #1: – The deadline for the submission of Owner/Management Agent responses (Owner Certifications/Attachment A) will be changed from 30 days to 60 days. *(Note: excludes responses for EH&S (life-threatening) items.)*

Change #2: – Consolidation of UPCS deficiency corrections and reporting deadlines (See attached *Summary of Physical Inspection Correction and Response Deadlines*).

Change #3: – The potential waiver of the MSHDA inspection for MSHDA-financed developments with a recent REAC inspection. Complete details of this change and instructions for requesting a waiver will be forthcoming soon in a separate Memorandum.

Future Improvements:

In addition to the changes mentioned above, MSHDA will also be working toward the conversion of the MHI physical inspection reporting software to a web-based system. The benefits of this conversion will include the following:

- Creation of a new and improved version of the MSHDA Physical Inspection Report
- Electronic transmission of physical inspection reports to Owners/Management Agents via email

Owners/Management Agents have also requested the ability to submit physical inspection responses (Owner Certifications/Attachment A) electronically through a secured web-based portal. MSHDA will work toward implementation of this change, however, State of Michigan and MSHDA Board approval will be required in addition to a technology solution.

Historical Improvements Implemented 2005-2006 include the following:

Policy/Procedure Change	Benefit	Developments	Date Implemented
Eliminated mandatory physical reinspections (previously required 6 months after a physical inspection)	Improved customer service and cost savings	MSHDA Financed	January 1, 2005
Implemented “UPCS Plus” Inspection Standard	Improvement in reporting consistency	MSHDA Financed	January 1, 2005
Implemented Customer Service Surveys Forms	Improved customer service and increased customer feedback	All	January 1, 2005
Consolidation of reporting timeframes	Reduced multiple reporting requirements for Owners/Management Agents	All	September 1, 2006

EXTENSION REQUESTS - CLARIFICATION

Requests for an extension of the correction deadline must be submitted in writing to the inspection company via mail, e-mail or facsimile with a copy to Compliance and the assigned Asset Manager (for MSHDA-financed developments only). Inspectors are not authorized to approve requests that exceed 6 months (IRS maximum allowable correction

period for LIHTC). In addition, inspectors will not approve requests if, in their opinion, the requested delay in correcting the deficiency would result in significant additional damage to the property.

Extension requests that exceed 6 months for MSHDA-financed developments should to be submitted directly to the asset manager for approval (with a copy to the inspector and Denise Patrick in Compliance Monitoring).

The inspector will notify the management agent/owner in writing that the extension request is either approved or not approved.

Extension requests must be submitted on owner/management agent letterhead with a header or subject line that clearly states “**Extension Request**”. The request must contain all of the following information:

- Description of the deficiency area for which an extension is being requested
- Reason for the request
- Required completion date (original date)
- Requested completion date

Thank you once again for your comments and suggestions. We encourage you to continue to provide this valuable feedback to MSHDA. Survey and physical inspection forms are available under the forms section of our website at the following link: http://www.michigan.gov/mshda/0,1607,7-141-8002_26576_26589-110017--,00.html. If you have any questions or concerns regarding these new policies and procedures, please contact the Compliance Staff at (517) 241-2560.